

Message Text

PAGE 01 QUITO 05416 311550Z

47/44

ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 SSO-00 NSCE-00 INRE-00 SS-15 SP-02

NSC-05 L-03 CIAE-00 INR-07 NSAE-00 TRSE-00 OPIC-03

H-02 PA-01 PRS-01 USIE-00 /057 W
----- 090325

O R 301629Z JUL 76

FM AMEMBASSY QUITO

TO SECSTATE WASHDC IMMEDIATE 1019

USDOC WASHDC IMMEDIATE

INFO AMCONSUL GUAYAQUIL

LIMITED OFFICIAL USE QUITO 5416

C O R R E C T E D C O P Y (TEXT - PARA 3)

E.O. 11652: N/A

TAGS: BBAK, BDIS, EC

SUBJECT: GOE REFUSES TO DEAL FURTHER WITH LOCAL REPRESENTATIVES
OF U.S. FIRMS FOR ID-CARD EQUIPMENT; SEEKS DIRECT CONTACTS
WITH U.S. FIRMS

REF: QUITO 5046

1. SUMMARY: GOE OFFICIALS HAVE INFORMED EMBASSY THAT THEY
REFUSE TO DEAL FURTHER WITH LOCAL REPRESENTATIVES OF U.S.
SUPPLIERS OF CAMERAS, FILM AND LAMINATING PLASTIC FOR
IDENTITY CARDS WHICH ARE NEEDED FOR FIRST STEP OF REGISTERING
VOTERS FOR ELECTIONS TO RETURN GOVERNMENT TO CIVILIANS.
OFFICIALS SAY THAT GOE WILL ANNOUNCE ON JULY 30 THE CANCELLATION
OF ALL DEALINGS AND OBLIGATIONS PREVIOUSLY INCURRED WITH
ECUADOREAN REPRESENTATIVES OF U.S. FIRMS, AND WILL PROVIDE
DOCUMENTS TO THE ECUADOREAN PRESS PROVING UNSAVORY AND ILLICIT
OPERATIONS ON PART OF THESE LOCAL REPRESENTATIVES. GOE
OFFICIALS HAVE REQUESTED EMBASSY TO SEEK TO OPEN DIRECT
CHANNEL BETWEEN
U.S. FIRMS (AVANT FOR CAMERAS, POLARIOD FOR FILMS AND
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PAGE 02 QUITO 05416 311550Z

GBC FOR PLASTICS) AND THE GOE, BYPASSING THE ECUADOREAN
REPRESENTATIVES OF THE RESPECTIVE U.S. FIRMS. BECAUSE OF
SENSITIVE POLITICAL FACTORS INVOLVED, AS WELL AS POSSIBLE
LOSS OF COMMERCIAL OPPORTUNITIES, EMBASSY REQUESTS USDOC

CONTACT THE U.S. FIRMS AND SEEK MEANS FOR DIRECT SALES BY THEM TO GOE. GOE IS PREPARED TO SEND MISSION TO THE U.S. IMMEDIATELY TO CONSUMMATE SUCH ARRANGEMENTS. END SUMMARY.

2. GOE SOME MONTHS AGO ANNOUNCED THAT IT WOULD RETURN GOVERNMENT TO CIVILIAN CONTROL THROUGH ELECTIONS WHICH, GOE HAS INDICATED, WOULD PROBABLY BE HELD SOME TIME AROUND EARLY 1978. GOE HAS SAID THAT PREREQUISITE FOR REGISTRATION OF VOTERS IS ISSUANCE OF NEW IDENTITY CARDS TO EVERY ECUADOREAN OVER AGE 17. FOR THIS PURPOSE GOE IN RECENT MONTHS HAS INVITED AND RECEIVED OFFERS FROM VARIOUS SUPPLIERS OF CAMERAS, FILM AND LAMINATING PLASTIC FOR THIS "RECEDULACION" PROCESS, AND WAS CONSIDERING PURCHASING CAMERAS FROM ECUADOREAN FIRM PANAMCO WHICH REPRESENTS U.S. FIRM AVANT, FILMS FROM ECUADOREAN FIRM SISTEMAS DE CONTROL WHICH REPRESENTS U.S. FIRM POLARIOD, AND PLASTIC FROM ECUADOREAN FIRM WLADIMIR LERQUE WHICH REPRESENTS U.S. FIRM GENERAL BINDING CORPORATION (GBC). HOWEVER, GOE DECIDED IN MAY TO OBTAIN CAMERAS, FILM AND PLASTIC FROM PANAMCO, AT A PRICE REPORTEDLY WELL EXCEEDING VONZLIWLLION, REALIZING THAT AVANT WOULD SUPPLY ITS OWN CAMERAS AND PLASTIC BUT WOULD HAVE TO OBTAIN FILM FROM POLAROID (SINCE AVANT CAMERAS USE POLARIOD FILM).

3. AS REPORTED IN REFTTEL, GOE MINISTER OF GOVERNMENT SENT LETTER OF INTENT TO PANAMCO CONFIRMING THAT GOE WOULD PURCHASE THIS RECEDULACION EQUIPMENT FROM PANAMCO-AVANT. HOWEVER, SISTEMAS DE CONTROL AND WLADIMIR LERQUE SUBSEQUENTLY SENT A LETTER TO THE SUPREME COUNCIL OF THE GOE CHARGING IRREGULARITIES IN THE AWARDING OF THE CONTRACT TO PANAMCO-AVANT. GOE MINISTRY OF GOVERNMENT OFFICIALS HAVE SINCE CALLED IN REPRESENTATIVES OF ALL THREE LOCAL FIRMS TO THRASH OUT THE CHARGES AND TOLD THEM GOE WOULD GO ALONG WITH ANY REASONABLE ARRANGEMENT THEY WOULD MAKE BETWEEN THEMSELVES FOR SUPPLY OF CAMERAS, FILM AND PLASTIC. THESE DISCUSSIONS WERE MARKED BY ACRIMONIOUS CHARGES AND COUNTER-CHARGES BETWEEN THE THREE COMPANIES, LEADING GOE MINISTER OF GOVERNMENT LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 03 QUITO 05416 311550Z

MENT TO REQUEST AMBASSADOR TO USE GOOD OFFICES TO HELP COMPANIES COME TO A MUTUALLY SATISFACTORY AGREEMENT. AT AMBASSADOR'S REQUEST, EMBOFFS SUBSEQUENTLY MET WITH REPRESENTATIVES OF THE THREE COMPANIES AND AS OF MID-JULY IT APPEARED THAT SATISFACTORY ARRANGEMENT WOULD BE WORKED OUT.

4. HOWEVER, ON JULY 28 THE GOE SUBSECRETARY OF GOVERNMENT INFORMED THE AMBASSADOR AND ECONOMIC/COMMERCIAL COUNSELOR THAT THE COMPANIES WERE CONTINUING TO WRANGLE AMONG THEMSELVES, AND THAT EVIDENCE HAD COME TO LIGHT OF ATTEMPTS BY ONE OR MORE OF THE COMPANIES TO BUY OFF ONE OF THE OTHERS AND TO MAKE UNDER-THE-TABLE PAYMENTS TO GOE OFFICIALS (WITH

THE RESULTANT INCREASE IN "COSTS" TO BE REFLECTED IN A HIGHER PRICE TO BE PAID BY THE GOE FOR THE GOODS). SUB-SECRETARY SAID GOE HAS BECOME THOROUGHLY FED UP WITH WRANGLINGS AND TACTICS OF THE LOCAL REPRESENTATIVES OF THE U.S. FIRMS, AND REFUSES TO DEAL FURTHER WITH ANY OF THEM. HE REQUESTED EMBASSY'S ASSISTANCE IN MAKING ARRANGEMENTS FOR DIRECT SALES TO GOE BY U.S. SUPPLIERS; SPECIFICALLY, FOR AVANT TO SELL CAMERAS, POLAROID TO SELL FILMS AND GBC TO SELL PLASTIC.

5. SUBSECRETARY SAID HE IS AWARE THAT U.S. FIRMS' CONTRACTUAL OBLIGATIONS WITH THEIR RESPECTIVE LOCAL REPRESENTATIVES MAY REQUIRE ANY SUCH SALES TO BE MADE THROUGH THE LOCAL REPRESENTATIVES, BUT HE HOPES THAT THIS CAN BE CIRCUMVENTED, WITH SALES MADE INSTEAD DIRECTLY FROM U.S. SUPPLIERS TO GOE AND WITH U.S. SUPPLIERS PRESUMABLY PAYING SOME KIND OF COMPENSATION TO THE LOCAL REPRESENTATIVES. HE ADDED THAT GOE IS PREPARED TO SEND A BUYING MISSION--PROBABLY CONSISTING OF THE MINISTER OF GOVERNMENT HIMSELF AND/OR THE SUBSECRETARY--IMMEDIATELY TO THE U.S. TO DEAL WITH THE U.S. SUPPLIERS. HE ASKED EMBASSY TO DETERMINE WHETHER U.S. SUPPLIERS WOULD BE WILLING TO HOLD DISCUSSIONS ON THIS BASIS. HE INDICATED THAT GOE MISSION WOULD BE WILLING TO DEAL WITH JUST ONE OF THE THREE FIRMS (PRESUMABLY EITHER AVANT OR POLAROID), LEAVING IT TO THAT ONE TO MAKE ARRANGEMENTS WITH THE OTHER TWO FOR A PACKAGE DEAL. PRICE WILL OF COURSE BE A PARAMOUNT CONCERN OF THE MISSION, HE MADE CLEAR, SAYING THAT THE GOE IS CERTAIN THAT THE PRICE IT WOULD OBTAIN THROUGH DEALING DIRECTLY WITH U.S. SUPPLIERS LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 04 QUITO 05416 311550Z

WOULD BE MEASURABLY LOWER THAN THE PRICES SO FAR QUOTED BY LOCAL REPRESENTATIVES.

6. THIS COMPLICATED COMMERCIAL SITUATION IS FURTHER COMPLICATED BY IMPORTANT POLITICAL FACT THAT CRITICS OF GOE HAVE ACCUSED IT OF SEEKING TO USE RECEDULACION PROCESS AS A TACTIC TO DELAY RETURN TO CIVILIAN GOVERNMENT. GOE FEARS THAT THE PLANNED JULY 30 ANNOUNCEMENT OF CANCELLATION OF DEALINGS WITH LOCAL REPRESENTATIVES WILL LEND STRONG WEIGHT TO THESE CHARGES, AND IT IS FOR THIS REASON THAT GOE HAS DECIDED TO RELEASE DOCUMENTS TO PRESS, PROVING UNSAVORY AND ILLICIT OFFERS BY THE LOCAL REPRESENTATIVES.

7. GOE RECENTLY ANNOUNCED THAT RECEDULACION PROCESS WOULD COMMENCE AUGUST 2, A DEADLINE WHICH NOW IS PLAINLY UNMEETABLE. IN VIEW OF STRONG PRESSURES ON GOE TO BEGIN RECEDULACION AS PROMPTLY AS POSSIBLE, GOE ATTACHES UTMOST IMPORTANCE TO REACHING AGREEMENT WITH U.S. SUPPLIER(S) FORTHWITH, AND HAS ASKED EMBASSY TO MAKE EVERY EFFORT TO HELP THEM DO SO.

8. ACTION REQUESTED: AFTER DUE CONSIDERATION OF COMMERCIAL AND POLITICAL FACTORS INVOLVED IN THIS SITUATION, EMBASSY HAS REACHED FIRM CONCLUSION THAT IT WOULD BE IN U.S. INTEREST TO SEEK TO ACCOMMODATE GOE'S REQUEST. IT HAPPENS THAT THE PRESIDENT OF AVANT, ROGER KUHN, IS CURRENTLY IN QUITO WHERE HE HAS BEEN INVOLVED IN DISCUSSIONS WITH LOCAL REPRESENTATIVE PANAMCO. EMBASSY PLANS TO CALL IN KUHN AND EXPLAIN SITUATION TO HIM. EMBASSY REQUESTS USDOC TO CONTACT APPROPRIATE OFFICIALS OF POLAROID AND GBC TO DO SAME, AND TO DETERMINE WHETHER THEY COULD AND WOULD MAKE DIRECT SALE TO GOE BYPASSING LOCAL REPRESENTATIVES (IT BEING UNDERSTOOD THAT THEY PROBABLY WOULD HAVE TO PROVIDE SOME KIND OF COMPENSATION TO THOSE REPRESENTATIVES, BUT THAT THEIR PRICE QUOTATIONS TO GOE WOULD BE LOWER THAN PRICES PREVIOUSLY QUOTED BY THE REPRESENTATIVES). EMBASSY WOULD APPRECIATE DEFINITIVE RESPONSE FROM USDOC NOT LATER THAN COB AUGUST 2.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 15 SEP 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 30 JUL 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976QUITO05416
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: D760295-0315
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t197607109/baaaenoq.tel
Line Count: 183
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 20 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 JUL 2004 by SmithRJ>; APPROVED <20 JUL 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: GOE REFUSES TO DEAL FURTHER WITH LOCAL REPRESENTATIVES
TAGS: BBAK, BDIS, EC
To: STATE
USDOC INFO GUAYAQUIL
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006